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TAGS: [EPET](#) [ENRG](#) [EFIN](#) [PGOV](#) [SA](#)
SUBJECT: POTENTIAL NEW REVENUE-SHARING AGREEMENT BETWEEN
ARAMCO AND THE SAG

REF: A. RIYADH 1177 (NOTAL)
[1](#)B. 2005 RIYADH 9368

Classified by Acting Consul General Dave Speidel for reasons
1.4 (b) and (d).

[11.](#) (C) In a conversation on April 13, two expatriate analysts at Saudi Aramco told PAO and EconOff that Aramco and the SAG were in the process of making a significant change to their revenue-sharing practices. In the past, they explained, Aramco had reserved from its revenue stream the amount needed to fund its operations and investments and then sent the remainder to the SAG. According to the new system, they said, Aramco would keep 15 percent of its revenues, send 85 percent to the SAG, and seek loans to finance the difference between its 15 percent and what it needed for operations and investment. "It's a healthy change," one of the analysts opined, "because it will make Aramco think harder about the cost-effectiveness of its investments. It's also good for the banks, because it will give them an outlet for their cash." The analysts were uncertain when this new system would be introduced, but they were confident that it was close to implementation.

[12.](#) (C) Turning to the Abqaiq attack, the analysts took issue with the claim that the facility's redundancies ruled out the possibility of lengthy interruptions in production or export from a terrorist incident. (Note: Saudi Aramco officials (ref A) and the media made this claim in reference to the Abqaiq attack, and the Minister of Petroleum, Ali Al-Naimi, has made it more generally in reference to the Kingdom's oil infrastructure. End note.) Had the attackers succeeded in causing a fire at one of the stabilizer columns, they noted, it would have been extremely difficult to put it out before it spread to the other columns: "Gas and oil fires are incredibly difficult to put out. Take the fire at Juaymah (a gas processing plant near Ras Tanura) in 1987, which burned for days. At Abaqaiq, you've got oil being pumped in from a station that's maybe 25 kilometers away. You can't turn off that flow instantly." One of the analysts also mentioned that an expatriate colleague in Abqaiq town around the time of the attack said that a number of the locals seemed to be "cheering the attack on," perverse as that may seem given the town's economic dependence on the facility.

[13.](#) (C) Switching gears, the other analyst mentioned that the Saudi Ministry of Petroleum had hosted officials from Iraq's Ministry of Petroleum in Riyadh and tried to convince them that there was "no need for the Americans" in rebuilding

Iraq's oil infrastructure. Asked for more details, the analyst said that Yasser Mufti, who works in Aramco's Corporate Planning department and is Aramco's representative to OPEC, had "bragged" in November or December 2004 about a meeting he had just attended in Riyadh in which he and Ministry of Petroleum officials had delivered this message to Iraqi counterparts. The analyst had a cynical interpretation of the effort Mufti described: "Like it or not, the Saudis have an interest in keeping Iraq's production down. What they told the Iraqis was ridiculous - look at how Aramco started, and how dependent it is even today on American contractors and technology."

¶4. (S/NF) Note: The analysts, U.S. citizens whom PolOff and PAO know socially, have access to technical data, conduct sophisticated modeling, and interact with senior Aramco executives. We reported information they previously supplied in ref B. End note.

(APPROVED: SPEIDEL)
GFOELLER